

INSIGHTS ON HR ISSUES: The Retirement Wave - Boom or Bust?

Bob Lavigna

*Senior Manager for Client Services Group - East
CPS Human Resource Services*

There are about 76 million baby boomers in the United States today. The boomer generation—people born from 1946-1964—now accounts for 28 percent of our population. As we've been hearing, when this group of workers begins to retire en masse, we will face a workforce crisis. There simply aren't enough workers to replace them. This crisis will hit government first for two primary reasons. First, because public workers are, on average, older than private sector workers and, second, because public servants are eligible to retire at an earlier age than their private sector counterparts.

To make things even more challenging, government is at a disadvantage competing for the shrinking talent pool. The public sector's ability to compete for the "best and brightest" has been damaged by decades of government bashing, an inability to compensate and reward talent, and lengthy and complicated hiring processes.

Despite the inevitable retirements of baby boomers, large-scale retirements have not yet occurred in many government agencies. There are several reasons for this, including the uneven performance of deferred compensation plans over the past several years and "golden handcuff" programs such as generous health insurance plans. Retirees often lose health insurance coverage or have to pay more for it.

While many retirement-age workers may delay their departures, the demographic realities won't go away. We can run from the facts, but we can't hide. There are simply not enough workers in the pipeline to replace all of those who will leave. On top of that, layoffs, early retirement schemes and training and development cutbacks will create not only a worker shortage but, just as importantly, a huge loss of skills, knowledge, and leadership.

But the news isn't all bad. The silver lining is that delayed retirements give us a chance to prepare. To compete for talent, government must abandon outdated and bureaucratic systems and become more flexible, timely and responsive. Agencies need to recruit more aggressively; hire faster; clearly identify and then develop employee competencies; respond (or even cater) to new attitudes about work, careers, and life; reward good performers; and improve or remove poor performers.

David Walker, the comptroller general of the United States, recently framed the issue as the:

...need to transform what government does and how it does business in the 21st century. Most agencies must come to grips with the fact that some of their most basic policies, processes and procedures are years out of date. In the human capital area... managers need to identify their own workforce needs and do a better job of recruiting and empowering employees, and recognizing and rewarding performance... Modernizing the government's human capital policies and practices may mean the difference between success and failure in this war for talent.

Many of the Answers Already Exist

Some may be surprised to learn that many "modernizing" solutions exist already. And they're not just theoretical—public organizations are already aggressively reforming HR systems. What we need is for more government agencies, at all levels, to adopt approaches like those listed below.

- Aggressive marketing of public service as a unique opportunity to do important work that

can't be done anywhere else;

- For applicants, truly online job application systems (not so-called "online" systems that just allow candidates to download and print applications or attach résumés to emails);
- If online applications aren't feasible yet, paper applications that are more user-friendly and easier to complete. For example, Federal senior executive service applications require 10-15 pages of narrative. Do we really think talented and experienced executives from outside government will go through this?;
- For hiring managers, online systems that enable them to directly access candidate data bases and even "order" lists of qualified candidates;
- The ability to make "on-the-spot" job offers;
- Repeal of outdated restrictions such as the "rule of five" in hiring;
- Hiring and retention bonuses, plus bonuses for current employees who refer applicants who are hired;
- Formal processes that identify critical employee competencies and link all HR systems (including compensation and advancement) to these competencies;
- Systems (online if feasible) that enable employees to assess and compare their competency levels to organizational needs, and then create specific plans to develop those competencies;
- Leadership training and development programs that link training results to individual and organizational outcomes and assess these programs' returns on investment;
- Formal succession planning programs;
- Rotational assignment that cultivate a broader understanding of the entire agency or jurisdiction, build networks across departments, and increase career mobility;
- Phased retirement, a tactic to ease the talent shortage and foster knowledge transfer;
- Performance-based compensation plans linked not only to measurable individual achievement, but to agency strategic goals;
- Gainsharing systems (e.g., where employees receive bonuses if organization-wide savings goals or performance targets are achieved);
- In outsourcing situations, allowing current employees not just to compete for work but, if they win and do the work below bid, to share in the savings;
- Metrics to evaluate the efficiency and effectiveness of all HR practices.

At one time, these approaches were innovative or even radical. Today, they're proven approaches being used not just in the private sector, but in state and local governments and some federal agencies.

Many of these reforms have been reviewed, catalogued, piloted, and analyzed ad nauseum. Yet, we still seem stuck in a time warp, debating whether changes like these will work on a broad scale and whether they will "ruin" civil service. The reality is that civil service as we know it isn't working. Are we really committed to attracting and retaining the best and the brightest of the shrinking workforce? Or, will we have to settle for the "best of the desperate"?

Workforce Planning Should be the Roadmap for Change

Despite the clear need for change, there are some cautions. Foremost is that human capital changes cannot be implemented casually, on an ad hoc basis, or unilaterally by HR. Instead, workforce planning should be the glue that integrates human capital changes and engages front-line supervisors and managers.

What is workforce planning? The steps are simple in concept:

1. Analyze the organization's current workforce and capabilities (e.g., the people and competencies available right now);
2. Project the organization's future workforce needs (people/competencies needed to do the work of the future);
3. Compare the current workforce to future workforce needs (i.e., to identify people/competency imbalances—both gaps and surpluses);
4. Develop HR policies, plans, and approaches to eliminate gaps and surpluses and therefore build the workforce of the future; and
5. Do it again and again. That is, put in place a permanent process to continually assess workforce needs and capabilities, identify gaps, and eliminate imbalances.

Of course, the technical details of workforce planning can be daunting. Planning can involve environmental scanning, economic forecasting, employee turnover projections, work flow and workload analyses, strength and weakness assessments, benchmarking against best practices, process re-engineering, competency development, etc.

Yet it's critical not to become paralyzed by technical details. The important thing is to get started. A 2002 study by Mary Young, sponsored by CPS Human Resource Services, found that jurisdictions that used workforce planning most effectively focused their resources. Instead of taking on the whole agency, they directed their attention to jobs that would be hardest hit by attrition and most difficult to fill.

Regardless of the approach, planning should be directly linked to the organization's strategic goals and objectives. In other words, steps 1 and 2 of the above planning process (analyzing the current workforce and projecting future workforce needs) must be driven by organizational strategy. Just as important, planning must directly involve line managers—early and often. Ideally, workforce planning will produce new policies, approaches and processes in all HR areas including recruiting, classification, compensation, advancement, talent management, training, succession planning, labor relations, etc. These HR components must mesh, as a system, to build the workforce of the future.

Good workforce planning produces hard numbers and insightful analysis. Both are powerful tools to get the attention of decision-makers. With data-driven forecasts that anticipate a variety of what-if scenarios, jurisdictions can prepare effectively for the coming wave of retirements.

Finally, workforce planning requires resources, coordination and political will. In a survey conducted by the International Public Management Association for HR, the most common reason why organizations do not conduct workforce planning is "lack of leadership." The stakes—the future of government—are far too high for us to let this continue. Leaders must step up, and step up now, while we still have time to prepare for the looming retirement boom.

ASPA member Bob Lavigna is a client services manager with CPS Human Resource Services in Wisconsin. E-mail: rlavigna@cps.ca.gov